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SPRING 2022

RESIDENTIAL PROPERTY

NEWSLETTER

30% discounted
homes
for first time
buyers



In this issue



Help to Buy for new-build homes gets underway



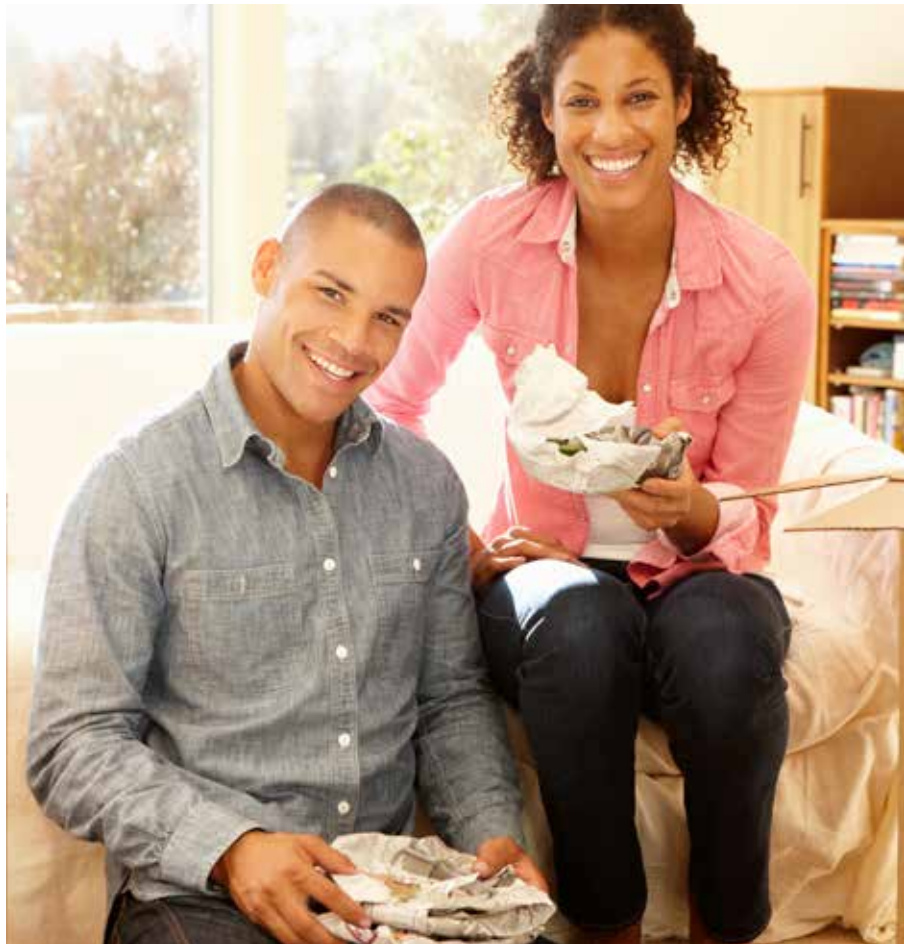
Commonhold to give leaseholders more control



New 95% mortgages now available for home buyers

30% discounted homes for first time buyers

First time buyers are being offered discounted homes as part of a new government housing scheme.



The First Homes scheme will help local first-time buyers on to the property ladder by offering homes at a discount of at least 30% compared to the market price.

That same percentage will then be passed on with the sale of the property to future first-time buyers, meaning homes will always be sold below market value – benefiting local communities for generations to come.

The scheme will support local people who struggle to afford market prices in their area but want to stay in the communities where they live and work.

The first properties went on the market in Derbyshire on June 4. Further sites are set to launch across the country in the coming weeks. A further 1,500 will enter the market from the winter, with

at least 10,000 homes a year being delivered in the years ahead and more if there is demand.

Major high-street lenders Halifax and Nationwide Building Society, along with local building societies and community lenders, announced that they will be offering high loan-to-value mortgages against First Homes to support the roll-out of the scheme.

First Homes follows on from the 95% mortgage guarantee scheme which helps first-time buyers secure a mortgage with just a 5% deposit and the government's 'Own Your Home' campaign showcasing the range of flexible home ownership options available.

First-time buyers can find the right scheme for them via the Own Your

Home website which provides a single gateway for all routes to home ownership.

Housing Secretary Robert Jenrick said: "These homes will be locked in for perpetuity to first-time buyers and key workers from their local area – making them an asset to both their owners and the wider local community."

Please contact us if you would like more information about the issues raised in these articles or any aspect of residential property law.



Help to Buy for new-build homes gets underway

First-time buyers interested in new-build homes can now apply for the new Help to Buy: Equity Loan scheme.

With a Help to Buy: Equity Loan, the government lends homebuyers up to 20% (40% in London) of the cost of a newly built home. Customers pay a deposit of 5% or more and arrange a mortgage of 25% or more to make up the rest. The equity loan is interest-free for five years.

Help to Buy (2021-2023) has regional price limits, set at 1.5 times the average first-time buyer price in each region in England.

This keeps the prices of new homes closer to the average regional first-time buyer property prices, reducing the amount that first-time buyers need to borrow.

Help to Buy homebuilders must agree to follow the Consumer Code for homebuilders, the New Homes Ombudsman, the Building Safety Charter and fulfil planning permissions and building regulations.

How much you can spend on your home will depend on which region it is in.

In the North East it is £186,100; North West 224,400; Yorkshire and the Humber £228,100; East Midlands £261,900; West Midlands £255,600; East of England £407,400; London £600,000; South East £437,600; South West £349,000.

You must fund at least 80% (60% in London) of the sale price with a mortgage and put up at least a 5% deposit. Interest fees start at 1.75% and rise each year in April in line with the Consumer Prices Index, including owner occupiers' housing costs, plus 2%.

New 95% mortgages now available for home buyers

The government's new scheme to help people buy a home with a 95% mortgage has now come into effect.

It means buyers can get on the property ladder even if they only have a 5% deposit. The mortgages are available to both first-time buyers and existing homeowners for houses costing up to £600,000.

The government will offer lenders the guarantee they need to provide mortgages that cover the other 95%,

subject to the usual affordability checks.

The Covid-19 pandemic has led to a reduction in the availability of high loan-to-value (LTV) mortgage products, particularly for prospective homebuyers with only a 5% deposit. The new scheme is intended to address that problem.

The mortgages are now available from lenders including Lloyds, Santander, Barclays, HSBC, NatWest and Virgin Money.

The government will compensate the mortgage lender for a portion of the net losses suffered in the event of repossession. The guarantee will apply down to 80% of the purchase value of the guaranteed property.

The guarantee will be valid for up to 7 years after the mortgage is



originated; evidence shows that loans are unlikely to default after such a period has elapsed.

The scheme is intended as a temporary measure. It will be open for new mortgage applications until December 2022, in line with the government's view that the current scarcity of high loan-to-value lending is primarily a response to the pandemic rather than a symptom of a longer-term structural change in the mortgage market.



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Commonhold to give leaseholders more control

The government is planning to give leaseholders more control over their homes by developing a new collective ownership system known as commonhold.

The commonhold model is used widely around the world and provides a structure for homeowners to collectively own the building their flat is in, with a greater say on their building's management, shared facilities and related costs. They are in control of their building through a 'commonhold association'.

There are no hidden costs or charges, preventing some of the unfair practices currently seen in some leaseholds.

The newly formed Commonhold Council will manage the system with the aim of making home ownership fairer and more secure.

Housing Secretary Robert Jenrick, pictured below, said: "We are taking forward the biggest reforms to English property law for 40 years – and the widespread introduction of commonhold builds on our work to provide more security for millions of existing leaseholders across England, putting an end to rip-off charges and creating a fairer system."

This builds on the announcement in the Queen's Speech, where the government set out its intention to restrict ground rents for new residential long leases to a peppercorn. Earlier this year, the government also announced changes that will mean that any leaseholder can extend the lease on their home by 990 years, on payment of a premium, and will no longer pay any ground rent to the freeholder.

A Law Commission report said last year that the leasehold system was not working for home owners. Ministers hope these changes will make it fairer, cheaper and simpler.

We shall keep clients informed of developments.